



**Finance Think – Economic  
Research and Policy  
Institute, Skopje**

Financial Statements for the Year Ended  
31 December 2018 and

**Independent Auditor's Report**

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To:  
The Management of  
Finance Think economic research and policy institute  
Skopje

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial state ments of Finance Think economic research and policy institute, (in the following text "the Institute"), which comprise the Balance Sheet as of 31 December 2018, the Statement of Revenues and Expenses and Statement of Changes in Funds for the year then ended and a summary of significant accounting policies and other explanatory notes.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law for Non-profit Organizations and the standards for reporting under the cash basis of accounting. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and far presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditor's Responsibility***

Our responsibility is to express and opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards applicable in the Republic of Macedonia<sup>1</sup>. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

<sup>1</sup> International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board (IAASB), which are in effect from 15 December 2009, translated and published in Official Gazette of RM no. 79 from 2010

To:  
The Management of  
Finance Think economic research and policy institute  
Skopje

## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Auditor's opinion**

In our opinion, the financial statements of the Finance Think Institute, give a true and fair view, in all material aspects, of the financial position of the Institute as of 31 December 2018, as well as the operating results and the changes in the funds for the year than ended, in accordance with the Accounting Law for Non-profit Organizations and standards for reporting under the cash basis of accounting.

Certified Auditor, Partner

Darko Kalin

Director

Darko Kalin

5 February 2020

**STATEMENT OF REVENUES AND EXPENSES**

As of 31 December 2018, and 2017

In MKD thousands

	Notes	2018	2017
Granted donations	4	13.103	16.727
Revenue from financing	5	82	2
Other revenues	6	618	373
Transferred surplus of revenue from the previous year		6.898	6.249
<b>TOTAL REVENUES</b>		<b>20.701</b>	<b>23.351</b>
Material expenses and services	7	(2.196)	(2.090)
Operating expenses	8	(8.550)	(10.023)
Capital expenses	9	(86)	(21)
Expenses for employees	10	(3.219)	(4.218)
<b>TOTAL EXPENSES</b>		<b>(14.051)</b>	<b>(16.352)</b>
<b>Surplus of revenues over expenses before taxes</b>		<b>6.650</b>	<b>6.999</b>
Income Tax		-	-
<b>Surplus of revenues over expenses after taxation</b>		<b>6.650</b>	<b>6.999</b>

The accompanying notes form an integral part of these financial statements.

The accompanying financial statements were authorised for issue by the management of the Institute and were signed on its behalf by:

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**Blagica Petreski**

President

**BALANCE SHEET**  
**As of 31 December 2018 and 2017**  
**In MKD thousands**

	Notes	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	241	259
		<b>241</b>	<b>259</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	6.650	7.019
Other current assets	13	7	13
Prepayments	14	-	13
		<b>6.667</b>	<b>7.045</b>
<b>TOTAL ASSETS</b>		<b>6.907</b>	<b>7.304</b>
<b>LIABILITIES AND OPERATING FUND</b>			
<b>OPERATING FUND</b>			
Operating Fund	15	241	259
Surplus of revenues over expenses after taxation		6.650	6.999
		<b>6.891</b>	<b>7.258</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	16	14	14
Other current liabilities	17	2	7
Accruals	18	-	25
		<b>16</b>	<b>46</b>
<b>TOTAL LIABILITIES AND FUNDS</b>		<b>6.907</b>	<b>7.304</b>

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN OPERATING FUND**  
**For the Year Ended 31 December 2018 and 31 December 2017**  
**In MKD thousands**

	<b>Operating Fund</b>	<b>Surplus of revenues over expenses</b>	<b>TOTAL</b>
<b>Balance as of 1 January 2017</b>	<b>305</b>	<b>6.249</b>	<b>6.554</b>
Transferred surplus of revenues over expenses from previous year	-	(6.249)	(6.249)
Additions	21	-	21
Revaluation	6	-	6
Depreciation for the year	(71)	-	(71)
Revaluation of depreciation	(2)	-	(2)
Surplus of revenues over expenses	-	6.999	6.999
<b>Balance as of 31 December 2017</b>	<b>259</b>	<b>6.999</b>	<b>7.258</b>
Transferred surplus of revenues over expenses from previous year	-	(6.999)	(6.999)
Additions	86	-	86
Depreciation for the year	(104)	-	(104)
Surplus of revenues over expenses	-	6.650	6.650
<b>Balance as of 31 December 2018</b>	<b>241</b>	<b>6.650</b>	<b>6.891</b>

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2018**

**All amounts are expressed in MKD thousand, unless otherwise stated**

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**1. ESTABLISHMENT AND ACTIVITY**

Finance Think is an independent and non-for-profit economic research and policy institute, founded on 14.12.2012. The institute is registered in the register of Associations and Unions under the number 6838804. Finance Think is an independent and non-profit institute for economic research and policy whose mission is to improve the impact of economic and social trends and policies on citizens in Macedonia and the Western Balkans region through economic research, evidence-based and data-driven advocacy, and encouraging a critical debate on economic processes. Research helps policy makers, policy advocates, opinion makers, journalists and the public understand the issues affecting ordinary citizens. Programmatic domains in which the Institute is active are: poverty, employment and skills, fiscal transparency and accountability, gender and income inequalities, social entrepreneurship and women, migration and remittances, sectoral economic policies.

The management of the Institute is comprised of the Assembly, the Executive Board and the Advisory Board.

The headquarters of the Institute is located in Skopje, at ul. Frederick Chopin no. 1/2 Skopje, Kisela Voda. The total number of employees on December 31, 2018 is 9 employees (December 31, 2017 - 8 employees).

**2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements of the Institute are conducted in accordance with the Non-Profit Organization Accounting Law and the International accounting standards for the public sector on cash basis published in the Republic of Macedonia for presentation of the balance sheet items, balances of the assets, liabilities, sources of the assets, revenues and expenses, and the operating results on true, fair, confidential, complete, punctual basis. The amounts in the statements and the notes are stated in thousands of MKD, except when otherwise indicated in the text.

The comparative figures for the year ended 31 December 2017 are presented as audited.

**3. BASIC ACCOUNTING POLICIES**

These financial statements are prepared in accordance with the terms set in the Law for accounting of the non-for-profit organizations (Official Gazette of RM no.24/2003, 17/2011, C.court 80.2005, 154/2015), the Rulebook for accounting of non-for-profit organizations (Official Gazette of RM no. 42/2003, 8/2009, 12/2009, 175/2011), the Rulebook for accounting nomenclature and financial statements of non-for-profit organizations (Official Gazette of RM no. 117/2005, 11/2006) and the Rulebook of the content of accounts of the accounting nomenclature of the non-for-profit organizations (Official Gazette of RM no.117/2005).

Financial statement is prepared for the years ended 31 December 2018 and 2017. Operational and reporting currency of the Institute is the Macedonian Denar. Current and comparative data presented in these financial statements are stated in thousands of MKD, except stated otherwise.

**3.1 Cash and cash equivalents**

The Institute's cash comprises the cash on hand and the cash on bank account in the commercial banks. Money at the cash account and at the bank accounts stated in domestic currency are presented in the general ledger at their nominal value, while the foreign exchange currency is stated according to the exchange rate of NBRM at the reporting date.



**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2018**

**All amounts are expressed in MKD thousand, unless otherwise stated**

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**3. BASIC ACCOUNTING POLICIES (continued)**

**3.2 Material and non-material investments**

Classified as material and non-material assets are:

- Assets kept for performing the activity
- Assets which are expected to be used more than one financial period and whose separate value at the moment of purchase is higher than 300 EUR in Macedonian denar counter-value.

Material and non-material investments (fixed assets) are stated at their cost value. The cost of the fixed assets comprise the purchasing price increased for the purchase related costs. The operating fund of the Foundation increases for the amount of the value of fixed assets purchased. The revaluation of fixed assets (tangible and intangible assets), is performed because of additional valuation due to the increase of the annual inflation rate, measured with the official industrial product price index. Revaluation basis is the cost of the assets.

Sources of funding of the Foundation are increased for the amount of the material and non-material assets. Material and Non-Material assets are recognized as capital expenditure at the moment when they occur (payment).

All other continuous maintenance is evidenced as cost in the Statement of Revenues and Expenses during the period in which they occur.

**3.3 Depreciation**

Tangible and intangible assets (fixed assets) are depreciated using the straight-line method, so their cost and revaluated amount are depreciated in equal annual amounts during the estimated utilization period of the fixed assets.

The depreciation rates, applied by the Institute in 2018 are as follows: 20% for computer equipment, 16% for air conditioners and 12% for furniture.

The amount of the current depreciation is recorded on the burden of the operating fund. The calculation of the depreciation is performed separately for each item, and not for groups of assets.

**3.4. Receivables**

Receivables are recognized at their nominal value in the accounting document in accordance with the agreed amount, decreased for the valuation allowance.

**3.5 Income tax**

*(a) Current Income Tax*

Current income tax represents an amount that is calculated and paid in accordance with the effective Profit Tax Law of the Republic of Macedonia. Income tax is payable at the rate of 10% on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The tax base stated in the income tax return includes profit for the year increased for unrecognized expenses, taxable income from related parties and unclosed balances of loans given, in accordance with the regulations in the Income Tax Law, decreased for any tax reliefs.

The Organization does not calculate income tax due to the reason that it only operates with project related funds and costs performed are for project purpose only.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2018**

**All amounts are expressed in MKD thousand, unless otherwise stated**

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**3. BASIC ACCOUNTING POLICIES (Continued)**

*(b) Deferred taxes*

Deferred taxes are recognized in cases of differences between the carrying amounts of assets and the liabilities in the financial statements and the carrying amounts as per tax regulations and are reported using the balance sheet liability method. Deferred tax liabilities are recognised for all deductible temporary differences given that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. In these financial statements, there are no temporary tax differences.

**3.6 Sources of funding**

Sources of funding are valued at the amount of assets and revaluation reserve.

**3.7 Liabilities**

Liabilities to suppliers, employees, salaries, taxes and other current liabilities are stated at their nominal value. Liabilities in other currencies are stated at mid-exchange rate of NBRM.

**3.8 Recognition of the revenues and expenses**

Revenues and expenses of the non-profit Institutes are recognized according to the modified accrual basis of accounting.

According to the modified accrual basis of accounting the revenues i.e. expenses are recognized in the accounting period of calculation in which they appear under criteria of measurement and availability. Revenues i.e. expenses are measurable when they can be stated by their value. Revenues i.e. expenses are available when they are realized, i.e. when they appear (paid) in the accounting period or within the period of 30 days after the accounting period, under condition to be related to the accounting period and serve for payment of the liabilities for the period (if liabilities for payment appear in the accounting period).

**3.9 Amounts stated in foreign currency**

The transactions in foreign currency are stated in MKD according to the Official exchange rate of NBRM at the date of transaction. Foreign exchange assets and liabilities of the balance sheet are stated in MKD according to the official exchange rates on the balance sheet date. The Income Statement includes the net foreign exchange gains and losses that resulted from the conversion of the amounts in foreign currency in the period when they occur. The average (closing) exchange rates of the denar related to the foreign exchange currencies (for one unit of foreign exchange currency) as of 31 December are as follows:

In MKD	2018	2017
EUR	61,4950	61,4907
USD	53,6887	51,2722
CHF	54,7742	52,5472

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

**4. GRANTED DONATIONS**

	<u>2018</u>	<u>2017</u>
Revenues from donations	13.103	16.727
<b>Total</b>	<b><u>13.103</u></b>	<b><u>16.727</u></b>

In the course of 2018, revenues from the following donors were realized:

**Breakdown of granted donations by donors:**

	<u>2018</u>
Ministry of Finance, Skopje	5.181
East West Institute for management	1.452
Macedonian Center for International Cooperation	1.330
Stiftung Open Society Institute – Austria Vienna	1.184
British Embassy, Skopje	1.181
United nations children’s fund (UNICEF), Office Skopje	1.148
Centre for social policy, Belgrade	419
Partnership for economic policy	400
Centre for European policy studies VEBER (EPI)	282
International labor office, Switzerland	235
Policy research association – Analitika, Gostivar	221
The Royal institute of international affairs	31
European centre for social welfare policy and research, Austria Vienna	27
Institute for East and Southeast European studies	12
<b>Total</b>	<b><u>13.103</u></b>

**5. REVENUE FROM FINANCING**

	<u>2018</u>	<u>2017</u>
Revenue from interest and exchange rate differences	82	2
<b>Total</b>	<b><u>82</u></b>	<b><u>2</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

**6. OTHER REVENUES**

	<u>2018</u>	<u>2017</u>
Revenues from services	618	372
Other revenues	-	1
<b>Total</b>	<b><u>618</u></b>	<b><u>373</u></b>

**7. MATERIAL EXPENSES AND SERVICES**

	<u>2018</u>	<u>2017</u>
Office materials	469	247
Electricity, telephone and utilities costs	39	76
Maintenance	381	425
Other services	903	671
Transport	100	55
Marketing	-	276
Rent	212	335
Other costs	91	5
<b>Total</b>	<b><u>2.195</u></b>	<b><u>2.090</u></b>

**8. OPERATING EXPENSES**

	<u>2018</u>	<u>2017</u>
Bank charges	55	162
Per diems and travel costs	407	227
Exchange rates	1	59
Intellectual services	5.274	5.885
Taxes	222	367
Transferred funds	2.495	3.115
Other expenses	96	208
<b>Total</b>	<b><u>8.550</u></b>	<b><u>10.023</u></b>

**9. CAPITAL EXPENSES**

	<u>2018</u>	<u>2017</u>
Equipment	86	21
<b>Total</b>	<b><u>86</u></b>	<b><u>21</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

**10. EXPENSES FOR EMPLOYEES**

	<b>2018</b>	<b>2017</b>
Salaries	3.219	4.218
<b>Total</b>	<b>3.219</b>	<b>4.218</b>

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Office equipment and furniture</b>	<b>Total</b>
<b>Cost as of 1 January 2017</b>	<b>404</b>	<b>404</b>
Additions	21	21
Revaluation	6	6
<b>Balance as of 31 December 2017</b>	<b>431</b>	<b>431</b>
Additions	86	86
<b>Balance as of 31 December 2018</b>	<b>517</b>	<b>517</b>
<b>Accumulated depreciation</b>		
<b>as of 1 January, 2017</b>	<b>99</b>	<b>99</b>
Depreciation 2017	71	71
Revaluation of depreciation	2	2
<b>Balance as of 31 December 2017</b>	<b>172</b>	<b>172</b>
Depreciation 2018	104	104
<b>Balance as of 31 December 2018</b>	<b>276</b>	<b>276</b>
<b>Net book value as of:</b>		
- 31 December 2017	<b>259</b>	<b>259</b>
- 31 December 2018	<b>241</b>	<b>241</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

**12. CASH AND CASH EQUIVALENTS**

	<u>2018</u>	<u>2017</u>
Bank account	4.854	5.395
Petty cash	-	5
Foreign currency bank account	1.805	1.660
<b>Balance at 31 December</b>	<b><u>6.659</u></b>	<b><u>7.019</u></b>

**13. OTHER CURRENT ASSETS**

	<u>2018</u>	<u>2017</u>
Other receivables	7	13
<b>Balance at 31 December</b>	<b><u>7</u></b>	<b><u>13</u></b>

**14. PREPAYMENTS**

	<u>2018</u>	<u>2017</u>
Prepayments	-	13
<b>Balance at 31 December</b>	<b><u>-</u></b>	<b><u>13</u></b>

**15. OPERATING FUND**

	<u>2018</u>	<u>2017</u>
Operating fund	241	259
Current surplus of revenues over expenses	6.650	6.999
<b>Balance at 31 December</b>	<b><u>6.891</u></b>	<b><u>7.258</u></b>

The changes in the Operating fund are stated in the Statement of changes in the operating funds on page 5.

**16. ACCOUNTS PAYABLE**

	<u>2018</u>	<u>2017</u>
Accounts payable	14	14
<b>Balance at 31 December</b>	<b><u>14</u></b>	<b><u>14</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 December 2018

All amounts are expressed in MKD thousand, unless otherwise stated

**17. OTHER CURRENT LIABILITIES**

	<u>2018</u>	<u>2017</u>
Taxes	2	7
<b>Balance at 31 December</b>	<b><u>2</u></b>	<b><u>7</u></b>

**18. ACCRUALS**

	<u>2018</u>	<u>2017</u>
Deferred expenses	-	12
Other accruals	-	13
<b>Balance at 31 December</b>	<b><u>-</u></b>	<b><u>25</u></b>

**19. OFF-BALANCE RECORDS**

As of 31 December 2018, the Institute has no off-balance sheet exposure.

**20. SUBSEQUENT EVENETS**

After 31 December 2018 – date of reporting, until the date of approval of these financial statements, there are no material subsequent events that would have an impact on understanding of financial statements, or which would require correction of the financial statements.